

WASHINGTON, DC – Congressman Leader Steny H. Hoyer (MD) delivered remarks this morning on the imperative for solving the nation’s fiscal crisis, the need for bipartisan cooperation on this issue, and how to balance economic recovery with long-term deficit reduction. This is the second major speech Hoyer has delivered on this topic, [speaking in March at the Brookings Institution on restoring fiscal responsibility](#). Below are his remarks as prepared for delivery:

“This month, a Gallup poll asked Americans to name the greatest threats facing our country. Two answers tied for the top choice. One was terrorism. The other was debt.

“This is a remarkable moment in political history—a time when our creeping fiscal danger of our \$9 trillion of publicly-held debt troubles Americans as much as the prospect of the most brutal attacks on our country. More than ever, Americans understand the danger of debt: a stagnant economy, a hobbled government, and a weak national defense. More than ever, it’s possible to imagine a government with nothing left to spend on educating our children, on securing our borders, on conducting groundbreaking research. More than ever, it’s possible to imagine a government of, by, and for interest payments and entitlements.

“Debt is a dominant part of the political landscape now. Debt will not be ignored, because if there’s one thing we understand in Washington, it’s political incentives. The real question is how we respond to those incentives. There’s the easy way—glib slogans about spending, solutions that are more about winning political power than confronting the scope of the problem, and

answers borrowed from decades-old dogma instead of from a hard look at reality. And then there's the correct way.

“The correct way starts by recognizing that our problem is structural—the product of a generation’s worth of easy decisions. Our problem is not about the short term. So when the Heritage Foundation wrote, in response to my last fiscal speech, that ‘it is Congress’s out-of-control spending...which is causing major deficits,’ that kind of language makes for good attack ads—but it has little basis in reality. It ignores the effects of massive, regressive tax cuts, two debt-financed wars, a catastrophic recession, rapidly escalating entitlement costs, and the 2008 emergency response that both Republicans and Democratic economists agreed was necessary to stave off complete collapse.

“And if ‘out-of-control spending’ refers to the Recovery Act and other jobs programs that are responsible for more than 2 million jobs and only a small fraction of our deficit, I’d ask what the alternatives were. One alternative was to do nothing. That would have resulted, as economists now know, in millions more out of work, GDP growth up to 4 points lower, an even deeper recession, lower revenues, and, as a result, bigger deficits. Another alternative was to make tax cuts an even larger portion of the Recovery Act, one third of which was already comprised of tax cuts for families and businesses. But whether we are spending or cutting taxes, creating jobs in a recession means adding to the deficit in the short term. It’s what every industrialized country did in the face of global recession—and it would have been a dereliction of duty not to do so, as well.

“It’s an excellent measure of someone’s seriousness to see whether they point their finger at so-called ‘out-of-control spending’ in this Congress, or whether they face the real danger to our future—the structural deficit. Overreacting to short-term deficits, while we’re still feeling the effects of recession, will send our economy back into a tailspin, put even more Americans out of work, and increase the very deficits we are trying to reduce. It’s the mistake President

Roosevelt made in 1937, when he prematurely cut off recovery from the Depression—and it's a mistake we must not repeat.

“For the sake of the millions of Americans who are still struggling, job creation must still be Congress’s top priority. But we’ve seen resistance to more justifiable efforts to create jobs with unpaid spending, and even to keep teachers at work educating our children, because of concerns about the deficit. And many Members of Congress agree with the Washington Post, when it argued in an editorial this month, ‘We’d find the stimulus-now, spinach-later argument more credible if its advocates gave some hint of where the long-term belt-tightening will take place.’ I agree. An excellent way to build support for the job creation we still need is making credible and detailed plans to tackle the long-term debt. So now is the time to start talking about a solution to the structural deficit—one we’ll be ready to put in place once the economy is fully recovered.

“Unfortunately, we can blame our long-term deficit on policies that are almost universally popular. We’re lying to ourselves and our children if we say we can maintain our current levels of entitlement spending, defense spending, and taxation without bankrupting our country.

“It would be easy for a cynic to say that we will never touch those policies until a crisis forces our hand. Some would say, of course, that the crisis is at hand. In any event, we must prove that cynicism wrong. This Congress restored the pay-as-you-go law, which prevents us from forcing our children to pay tomorrow for the programs we like today. Under President Clinton, PAYGO helped turn historic deficits into a record, \$5.6 trillion ten-year surplus, and, combined with economic growth, it can move our budget in the same direction again.

“Some have criticized PAYGO for exempting the extensions of current policy on middle-income tax cuts, the estate tax, the alternative minimum tax, and the ‘doc fix’ that helps seniors see their Medicare doctors. I understand that criticism—but it neglects the fact that a PAYGO law without those exemptions would simply be waived again and again and would become toothless. As it is, Congress has to face strong political pressure to go even further than the current policy exemptions in statutory PAYGO allow. Simply enforcing PAYGO as it now stands—let alone taking PAYGO further—will continue to face strong challenges from both sides of the aisle.

“It is essential that we move from temporary extensions to permanent solutions, but we cannot consider those solutions without taking into account our long-term fiscal challenges. Permanent solutions for the estate tax, AMT, and the ‘doc fix’ should be developed in the context of the broader budget agreement that I’ll discuss shortly. And as the House and Senate debate what to do with the expiring Bush tax cuts in the coming weeks, we need to have a serious discussion about their implications for our fiscal outlook, including whether we can afford to permanently extend them before we have a real plan for long-term deficit reduction. At a minimum, the House will not extend the tax cuts benefitting taxpayers of incomes above \$250,000, despite some suggestions in the Senate that they be extended along with all other Bush tax cuts. As CBO Director Doug Elmendorf recently warned, extending all of the Bush tax cuts without making any other changes in policy would put us on a path toward a publicly-held debt equal to 90% of GDP by the end of the decade, ‘territory that is unfamiliar to us and to most developed countries in recent years.’

“Democrats have also been wrongly criticized for not sticking to PAYGO’s promise. PAYGO often means saying no to policies we like, and for that very reason those decisions aren’t often reported. They’re like the dog that didn’t bark. They are all the bills that never see the light of day because we can’t find offsets for them; they are the decisions committees make to scale back the policies they want to fit within the savings they can find. As Majority Leader, I see the impact of PAYGO every day, in ways that aren’t always apparent to others. Every day Members come to me with bills they want to bring to the floor—and every day I ask, ‘How are we going to pay for it?’ Every day we say no to more spending.

“For instance, in the American Jobs, Closing Tax Loopholes, and Preventing Outsourcing Act, we found offsets for many items that were initially advocated as deficit spending—including agricultural disaster relief and TANF supplemental grants—because PAYGO required us to.

“Another example of the power of PAYGO is the way the Bush and Obama Administrations treated health legislation. President Bush let PAYGO lapse and then signed a prescription drug bill that added an astounding \$7 trillion to our long-term unfunded liabilities. But President Obama refused to finance his health reform bill with debt. And as a result, the Congressional Budget Office tells us that it will significantly reduce our future deficit.

“Some claim that those savings are imaginary, because Congress will cave to pressure and revoke the bill’s cost-cutting provisions. That is a risk that we must avoid. But the people making that argument are the very same people bringing the political pressure we’re supposed to be afraid of. They’re the same people who complained about out-of-control spending, and then turned around and tried to frighten seniors with the false and demagogic claim that we were cutting their Medicare benefits. Critics of health reform simply can’t make both of those attacks and remain intellectually honest.

“The House also passed two important bills to reform defense procurement: one to cut unnecessary spending from weapons acquisition, which President Obama has signed, and one to cut it from contracting, which is awaiting action in the Senate. Our defense leaders, including Secretary Gates, have repeatedly pointed out that paying for programs we don’t need only

makes our country weaker in the long run. Our defense spending cannot be above careful scrutiny and analysis of alternatives.

“In an important speech last month, Secretary Gates drew from the legacy of President Eisenhower, who held that ‘the United States...could only be as militarily strong as it was economically dynamic and fiscally sound.’ He added: ‘the proverbial wall has been brought to our back’; as a result, all the parts of our defense establishment must ‘take a hard, unsparing look at how they operate.’ Any conversation about the deficit that leaves out defense spending is seriously flawed before it begins.

“Now, the easy way of cutting debt would point to all of these steps and declare victory. The correct way would admit that we’ve barely begun.

“That is why the House is working to adopt a budget enforcement resolution written by Chairman John Spratt, which will set limits on discretionary spending that require further cuts below the President’s budget; reinforce our commitment to PAYGO; direct committees to identify reforms to eliminate waste, duplication, and inefficiencies within their jurisdiction; endorse the goals of the president’s bipartisan fiscal commission; and reiterate the commitment to vote on the commission’s recommendations. This budget enforcement resolution will enforce fiscal discipline in the near term while the fiscal commission works on a long-term plan to get our country back to fiscal health.

“It isn’t possible to debate and pass a realistic, long-term budget until we’ve considered the bipartisan commission’s deficit-reduction plan, which is expected in December. I believe that Congress must take up and vote on that plan.

“To share sacrifices fairly, and to be politically viable, the commission’s proposal can only have one form: an agreement that cuts spending and raises revenue when the economy recovers.

“On the spending side, we could and should consider a higher retirement age, or one pegged to lifespan; more progressive Social Security and Medicare benefits; and a stronger safety net for the Americans who need it most. We also need the in-depth scrutiny of defense spending that Secretary Gates has demanded. He has urged Congress to stop funding additional C-17 cargo planes and an extra engine for the F-35 Joint Strike Fighter, to fight the rapid cost inflation in military health care, to cut unnecessary weapons systems, and to trim the overhead that makes up more than 40% of the defense budget. While his proposals have met with controversy, I wish more of us in public life were as honest about hard budget choices as Secretary Gates. I’m also glad that Chairman Ike Skelton is directing the House Armed Services Committee to scrutinize the defense budget for cost savings.

“The savings in front of us deserve a careful look and a thorough debate; but I fear that if we can’t decide what we can afford to do without today, we’ll be forced to make much more draconian cuts in the years to come. Of course, we must conduct such a review with the intent of maintaining a strong and sufficient armed force to deter and defeat any enemy that puts our nation and our people at risk. We can do both.

“Raising revenue is part of the deficit solution, too. When President Clinton did so in 1993, he faced predictions of disaster—but he helped to unleash historic prosperity and budget surpluses for our country, and he did it without raising spending. So I’m glad that President Obama has made clear that everything, revenues included, should be on the commission’s table. I’m also glad that some of my colleagues in Congress are talking seriously about simplifying the tax code to raise revenue more fairly and efficiently and increase economic productivity by cutting time lost on tax preparation.

“Why am I so sure that a spending-and-revenue compromise is the only plan that has a chance of succeeding? Because a spending-only plan has been on the table for more than two years. It’s Republican Congressman Paul Ryan’s Roadmap, and it was originally introduced in May of 2008. Even though I strongly oppose its severe Medicare cuts for seniors, I’ve praised Congressman Ryan for being the only one in his party to offer a solution equal to the problem. But what have we heard from his own party? Crickets. For two years. The Republican Party has run away from Paul Ryan’s plan, even though you’d expect it to rush to embrace a proposal based on spending cuts. As the Cato Institute’s Michael Tanner observed last month, ‘The Ryan Roadmap is a test, and right now the Republican Party is failing it.’

“Nevertheless, I’m still fairly hopeful that we can reach a balanced solution—in large part, because we have a history of success to draw from. In the 1980s, President Reagan and Speaker Tip O’Neill agreed on Social Security reform, and Reagan and Chairman Dan Rostenkowski agreed on tax reform. In 1990, the first President Bush agreed with congressional Democrats on a compromise to raise the top marginal tax rate and cut spending. Three years later, President Clinton enacted a similar spending-and-revenue agreement, even though Republicans unanimously said ‘no.’ What happened? Spending fell from 22% of GDP to 18%, revenues rose from 17% to 21%, and the Reagan-Bush deficits were wiped out. President Clinton and Speaker Gingrich also took our country in a more fiscally responsible direction by agreeing on the reauthorization of PAYGO. So let’s not pretend that what I’m proposing can’t be done—it was done, within the lifetime of every Member of Congress.

“So what is standing in the way now? There are two political factors we ought to worry about. One is superficiality: the eagerness of so many to blast spending in the abstract without offering solutions that come close to measuring up to the size of our challenge.

“Consider the Republican YouCut program. In case you missed it, Republicans have an attractive new website on which they solicit votes for ideas to cut paper-thin slices of the budget. I agree that every dollar counts—even when we’re discussing .002% of our debt, which was the size of the first YouCut winner. But sadly, unlike their budget leader, Paul Ryan, this partisan gimmick is emblematic of the way most Republicans have behaved in the minority: sound bites, not sound policy. We have hard choices and fiscal discipline to face, and pretending that a series of small items will even put a dent in the real problem is just the false impression of real action. Where were the fans of YouCut when the House voted to pay for what it buys? And where will they be when it comes time for the politically painful vote that has the actual power to reverse our slide into debt? Hopefully, they’ll have the courage to do the right thing.

“The second political factor we have to struggle with is the legacy of the supply-side dogma. Conservative economics used to be in touch with fiscal reality—remember that even President Reagan raised taxes in 1982, 1983, and 1984. Today, Ronald Reagan would be kicked out of the Republican party. Conservatives abandoned the first President Bush after the successful 1990 budget agreement. For the same reason, anti-tax crusader Grover Norquist said this about the possibility of a budget compromise today: ‘At some point conversations about unicorns are tedious, because they don’t exist in the real world. Budget deals where they actually restrain spending and raise taxes are unicorns.’

“I’ll only say that a budget agreement is entirely possible between two parties that look at reality as it is, not through the prism of 30-year-old ideologies that lead to defeatist falsehoods like ‘budget deals don’t exist.’

“The good news is that, after three decades, some on the right are realizing what supply-side has accomplished in reality. The administrations most committed to regressive tax cuts—Reagan and Bush II—left conservatives with bigger government, and left all of us deeper in red ink. As Kevin D. Williamson wrote in an influential April article in *National Review*, ‘Tax cuts don’t get us out of the spending pickle, and growth isn’t going to make the debt irrelevant... You can’t starve the beast if the Chinese and the bond markets keep lending him bon-bons by the ton.’ Even Alan Greenspan—who during the Bush Administration advocated for huge tax cuts to avoid the supposed danger of paying down the debt too quickly—acknowledged in the *Wall Street Journal* this month that that policy helped wipe out the surplus and led to higher interest rates.

“That’s the kind of honesty we all need to show if we want to head off a crisis. And slowly but surely, that honesty is spreading to Congress. This month, Senator George Voinovich candidly said that Republicans can’t sign Norquist’s anti-tax pledge and take on the debt at the same time: ‘What [my colleagues] have to understand is that that pledge is inconsistent with the oath of office that they took when they became members of the United States Senate.’

“I agree with him; and it’s because I take my own oath so seriously that I take our common danger so seriously. So I want to end with this image. There are two clocks: one of them is counting down the time to our debt crisis; the other can wake us up to see our situation as it is, not as we want it to be, or as our ideologies say it should be. And the kind of country our children will live in—growing or stagnant, on the rise or in decline—depends on which clock goes off first.

“We can keep making easy choices and hoping that the crisis clock just keeps ticking. But sooner or later, if that’s what we choose, there will be a time when we find that we have hardly any choices left at all.”

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